



BUDGET COMMITTEE

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**Senator Gregg's Opening Remarks at Budget Hearing on
Assessing the Federal Policy Response to the Economic Crisis
September 22, 2010
(unofficial transcript)**

Thank you, Mr. Chairman. Let me associate myself with the second half of your comments, as I have on many occasions, and with your concern about the long-term deficit and debt of this country. It is, as you have described, critical that we address this.

Regarding the first half of your comments, I have to kindly disagree. You have attempted to put lipstick on a pig. The fact is that the federal response in this area has been woeful, misdirected, and unfortunately, has probably aggravated the problem, in my opinion, rather than assisted the issue.

I had an economics professor when I was at Columbia who tolerated my appearing in his class on occasion, named Raymond J. Saulnier, who had this wonderful saying, "sometimes you have to evaluate problems by looking at what is intuitively obvious and reaching a conclusion."

What is intuitively obvious here is that the stimulus package was misdirected. It was a massive expansion of deficit and debt which has energized some economic activity but which basically has ended up being 'walking around money' for a group of appropriators here in the Senate. I am an appropriator so I say that with some generosity.

The fact is that the money was spent out over too much time and it was not focused on capital formation; it was not focused on an immediate return in the economy. So to the extent that a stimulus should have occurred, it was a misdirected stimulus in my opinion. You can look at whatever models you want, but the fact is that the unemployment rate has not come down, it has gone up, and the unemployment rate does not appear to be coming down in the future at any significant rate, or at least consistent with most recoveries.

Why is that? I believe it goes to the second part of the Chairman's hypothesis, which is that the American people and especially the folks on Main Street who create the jobs in

this country are looking at our government and saying it isn't part of the solution, it is the problem, it is the concern for them.

I've traveled throughout my state and I know the Chairman has traveled in North Dakota. Every small business person I talked to is just worried to death about their coming costs on health care, just worried to death. I was talking to a guy just a couple of weeks ago and he has a business that generates \$2-\$3 million a year. He's worried he's going to have to pay \$400,000-\$500,000 in new health care costs. He doesn't know where he's going to get the money, but he knows he's not going to expand until he figures it out.

On top of that, you've got the financial regulatory bill which passed, which is forcing a contraction in credit across this country because it was misdirected in the way it addressed the fundamental underlying issue, which is real estate and how we deal with real estate. Instead of setting up a responsible approach towards down payments, it basically created a massive regulatory over-structure which is going to cause contraction in the short term as the credit markets try to adjust to it.

You couple that with the tax policy which the Senator from North Dakota has correctly disagreed with. The idea that we should raise taxes in this economy is not a good idea and yet that appears to be the thing that we may end up doing because that is the policy of the Presidency and that's causing people to have uncertainty about their economic future.

Then you throw on top of that this whole debt issue and the fact that most Americans look at this and they apply this test of what is intuitively obvious and they say, it's intuitively obvious that we can't support our debt or our deficits and there doesn't appear to be a plan to straighten it out.

So they are worried, and they are worried about the future of this country and they're afraid we're going to pass on a less prosperous nation than they've lived in and a less secure nation as a result of it.

My view is that in order to get the employment issue under control, we've got to get the long-term problems that this government is creating for the markets under control and for the man or woman on Main Street who wants to create a job under control. We have to allow that person to go out and expand their business and take a risk without fearing that the government is going to make it economically unfeasible for them to succeed, either through the costs that are being put on through the regulatory burden or health care costs or because of the fear of taxes or because of the burden of the government simply running up a debt it can't afford and knowing that price is going to have to be paid by the productive sector of the economy. And that's intuitively obvious through inspection and that's what we need to address.